USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/28/2006

GAIN Report Number: CI6033

Chile

Avocado

Annual

2006

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Report Highlights:
Output and exports of avocados are expected to increase this year, as a result of more planted area coming into production.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
[CI]

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Executive Summary

Chilean avocado production will continue to increase in the coming years, as there are still a large number of orchards entering their most productive stage. Although the total area planted to avocados has increased significantly during the last few years, industry sources indicate that the rate of increase in planted area is expected to level off. Excellent gains made in export markets in the past are the main reason for the significant increase in dedicated land use to avocados. But as prices are falling together with an expected increase in competition from Mexico in key export markets like the US, a slowdown in the planting expansion will occur.

Production

For MY2005 (Jan-Dec 2006) a larger than both, last year and previously estimated avocado production is expected as a large number of newly planted orchards are coming into production. Although it is early to predict MY2006 (Jan-Dec 2007), further expansion in production is expected as the planted area, which has grown significantly over the last few years as a result of excellent returns, comes into production. Weather also has been favorable during flowering in most producing areas. Future increases in planted area will be mainly in Hass varieties for the export market. Avocado production is sensitive to climactic conditions, particularly to low temperatures during flowering and temperature changes. Weather largely accounted for production variations in the past.

Most Chilean avocados are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded during the last few years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents over 75 percent of total production.

As prices of avocados have been falling during the last few years, total area planted to avocados is not expected to keep expanding as in the past. Additionally, the strong demand observed in the past in Chile's most important market, the United States, is expected to fall significantly once Mexican avocados gain access to all 50 States. Mexican avocados enter the US duty free.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI. The predominant areas are Region V (Quillota, Aconcagua Valley and La Ligua, Petorca) with 61 percent of the total and the Metropolitan Region with 21 percent of the total. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

Consumption

Despite the recent increases in consumption, per capita domestic use is still considered to be fairly low for a producing country – around 3.5 Kg. per person. To increase domestic consumption, the Chilean avocado producers association has a domestic promotional campaign that focuses on a nutrition and health message. The promotional campaign will go from October 1, 2006 through January 31, 2007 with an estimated cost of US$ 800, 000. It consists of ads on the street, newspapers, magazines, radio and TV campaign and in-store promotion in 40 supermarkets.

Table – Chile: Avocado Planted Area, Production and Exports			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	113,508
2005	24,900	177,000	136,412
2006	26,731	195,000	136,500 1/
2007	27,500	205,000	145,000 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

Trade

The US market received 85 percent of Chile's total avocado exports in 2005. However exports to the EU, mainly Spain, Netherlands and the United Kingdom increased significantly. Although export volumes to the EU countries combined do not exceed 9 percent, they increased over 20 percent in 2005 when compared to the previous year. A big industry effort is made to diversify their markets. Additionally a strong Euro, contributed in increasing exports to the other destinations, in 2006. The share of total exports to the EU countries is expected to reach 30 percent in CY2006.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004. This quota increases 5 percent yearly over the next 12 years, after which avocados will enter the US duty free.

Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign will continue this year, which is financed trough the Check Off program. The budgeted amount for 2005-06 was approximately 5.4 million dollars.

Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports. Imports are charged a 6 percent uniform duty rate. There is a proposed law, called "Law for the Recovery and Promotion of the Native Forest", which has been sitting in Congress since 1992 that could affect future expansion of avocado plantings if approved.

The proposed law also calls for preservation of the hillsides that will restrict replacements of native trees and bushes to fruit plantings. Most of the new plantings during the last three years have been in hillsides, as these present an advantage over flatland in relation to frosts. The bill has gone through lengthy discussions and still has not been approved, mainly due to differing views among the various government agencies involved.

Market Development

Although avocados from California and Mexico can enter the Chilean market, this country's rather large, year-around avocado production and low domestic prices tend to discourage commercial imports for all but a few months during the marketing year.

PSD Table									
Country	Chile								
Commodity	Avocados, Fresh						(HECTARES)(1000 TREES)(MT)		
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Area Planted	24900	24900	24900	25200	25200	26731	0	0	27500
Area Harvested	20900	20900	20900	21050	21050	21050	0	0	22000
Bearing Trees	6820	6820	6820	6862	6862	6862	0	0	7172
Non-Bearing Trees	1304	1304	1304	1354	1354	1354	0	0	1548
Total No. Of Trees	8124	8124	8124	8216	8216	8216	0	0	8720
Production	177000	177000	177000	190000	190000	195000	0	0	205000
Imports	365	0	365	320	0	741	0	0	500
Total Supply	177365	177000	177365	190320	190000	195741	0	0	205500
Exports, Fresh	136412	120000	136412	132000	132000	136500	0	0	145000
Fresh Dom. Consumption	40953	57000	40953	58320	58000	59241	0	0	60500
For Processing	0	0	0	0	0	0	0	0	0
Total Distribution	177365	177000	177365	190320	190000	195741	0	0	205500

Export Trade Matrix			
Country	Chile		
Commodity	Avocados, Fresh		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2005		2006
U.S.	116326	U.S.	34785
Others		Others	
U.K.	5936	Spain	7926
Spain	4818	Netherlands	6862
Netherlands	4804	U.K.	4434
France	2079	France	2109
Argentina	1496	Japan	941
Japan	421	Sweden	857
Sweden	378	Argentina	548
Denmark	151	Denmark	375
Ecuador	2	Canada	238
Falkland	1	Belgium	145
Total for Others	20086		24435
Others not Listed	0		94
Grand Total	136412		59314
Note: Year 2006 data are for January Through October only			